



City of Terre Haute

Request for Proposals for the Operation and Maintenance of City Golf Courses

Request for Clarification and Best and Final Offer

June 29th, 2017

1.2 Current Leases

- Hulman Links and Rea Park both have equipment and golf car leases as described in the Request for Clarification. Upon expiration of the current leases, we have assumed execution of new leases in a similar form and have included the same annual cost in our operational budget.
- Dependent upon the condition of the golf cars, our needs, and terms, we will evaluate all options including purchasing, leasing, gas versus electric, and analysis of the number of golf cars needed for the next lease term.
 - The golf cars will be analyzed towards September of 2018 with a clear understanding of the condition of the batteries, their life expectancy, total cost to replace batteries versus leasing or purchasing a new fleet of golf cars for both facilities.
 - If the golf car lease is a fair market value lease it is reasonable to assume that the value of each golf car in January of 2019 would have an estimated value of \$ 1,500 per golf car. In other words, to buy the golf cars at that point

would be the number of golf cars x \$ 1,500 which would be a cash burden at that point. An additional expenditure would be the cost to replace the batteries.

- We would provide our recommendation after the completion of our analysis.
- Similarly, with the equipment, an evaluation needs to be made soon with regards to the type of lease, equipment needs, and what are the benefits of purchasing the current units versus replacing the equipment with a new lease.

1.3 **Capital Other than Maintenance Equipment and Cars**

- We have assumed in our proposed operational budget a sum of \$ 25,000 annually of capital expense (items less than \$ 2,500).
- As part of our comprehensive review within the first 30 days, all assets will be evaluated including appliances, HVAC, roof, water systems, irrigation pumps, irrigation system specifically related items, clubhouse items, electrical and more.
- There will be capital needs in 2018 and throughout the life of the Operations and Maintenance Agreement
 - Cohoat and O'Neal Management Corp. will have an anticipated capital expense list available to the City within 30 days of engagement. This list would be for items that exceed \$ 2,500 and with an economic life over one year.

1.4 **Rates**

- We understood that there will be NO price increases for services for 2018 over the 2017 rates, with the exception of food and beverage and merchandise items within the golf shop/clubhouse.
- Beginning in 2019, we have included in our forecast the raising of rates in an amount equal to the annual CPI. The annual rate increase may not be more than 5% without the approval of the City and/or the City's Parks and Recreation Board.

2.1 **Pro forma**

- A pro forma is included as Exhibit C to this response and our best and final offer.

2.2 **Exhibit A**

- Please see our attached Exhibit A. It is important to understand that Cohoat and O'Neal Management Corp. will provide to the City 75% of the net profits (when revenues exceed expenses), if the City reinvests its profits into capital projects at the golf courses.

2.3 **Exhibit B**

- Please see our attached Exhibit B

2.4 **Manning Table/ Organizational Chart**

- Please see attached – Exhibit D

Exhibit A
Service Cost Pricing Worksheet
Required Proposal Pricing Model

Estimated Gross Revenues and Total Expenses

	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Gross Revenue	\$1,094,000	\$1,203,000	\$1,295,000	\$1,357,000	\$1,421,000
Total Expenses (1)	1,338,000	1,383,000	1,430,000	1,479,000	1,530,000

Proposed Monthly Fee (City Subsidy)

	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Proposed Monthly Subsidy	\$20,333	\$15,000	\$11,250	\$10,083	\$9,083

Gross Revenue Share

	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
% of Profits Shared with City	40%	40%	40%	40%	40%
% of Profits Shared with City if the City share is reinvested in capital projects	75%	75%	75%	75%	75%

(1) Assumes City continues paying insurance costs.

Exhibit B

Guaranteed Savings

Estimated Gross Revenues and Total Expenses

	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Gross Revenue	\$1,094,000	\$1,203,000	\$1,295,000	\$1,357,000	\$1,421,000
Total Expenses (1)	1,338,000	1,383,000	1,430,000	1,479,000	1,530,000

Proposed Monthly Guaranteed Savings Fee (City Subsidy)

	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Proposed Monthly Guarantee Savings Fee (Subsidy)	<i>See next page</i>				

Profit Sharing

	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
% of Profits shared with City	40%	40%	40%	40%	40%
% of Profits shared with City if the City share is reinvested in capital projects	75%	75%	75%	75%	75%

Exhibit B continued

Assumption and Sharing of Risk

The City of Terre Haute has continued to fund the shortfall for the two golf courses. In 2016, the shortfall was nearly \$ 400,000. In 2017 the amount will be substantial, as well.

In our proposed pro forma we have illustrated that we feel, based on our experience and historical results that we can largely impact the revenues while controlling the expenses and reduce the exposure to the City of Terre Haute. We feel that it would be careless and imprudent, as a company, without knowing all the details, nuances, the potential, and the culture of golf in Terre Haute for us to “guarantee” any cap on the shortfall exposure to the City. Especially with the fee/rate lock for 2018.

However, we would be willing to do so after 2018, based on a formula where financial risk would be shared between the City and Cohoat and O’Neal. We propose that a factor of 1.2 times the previous year’s net results be used as a baseline for the following year as the City’s level 1 funding. At that point, Cohoat and O’Neal would fund the next \$75,000 shortfalls as level 2 funding. Then lastly, the City would be responsible for shortfalls from that point. For example, if 2018 produces a shortfall of \$245,000 as we have forecasted, the stop loss for 2019 would be $\$245,000 \times 1.2 = \$294,000$. Again if the \$294,000 of loss is exceeded, Cohoat and O’Neal would be required to fund the next \$75,000. Obviously, our goal is to reduce the City obligation and never fund a dollar of our own funds. But we stand ready to do so as a commitment to the financial success of Hulman Links and Rea Park.

Golf course operations can be influenced by economics, weather, course conditions, staff, and more, and after the completion of one year of our operations and maintenance we will have a much better anticipated results and be willing to share in the go forward risk.

For 2018, we have presented a budget that we will adhere to throughout the year. We look forward to meet monthly with the Parks and Recreation Board and the City Council. Status reports and updated financial information will always be readily available to measure the results throughout the year. Expectations are high from both the City of Terre Haute and Cohoat and O’Neal perspectives. We plan to meet those objectives!

Exhibit C

TERRE HAUTE GOLF COURSES Forecast of Revenue and Expenses 2018 - 2022 (\$ in 000s)

	<u>2016</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenue						
Greens Fees	\$527	\$632	\$696	\$765	\$803	\$844
Cart Rental	210	231	243	255	267	281
Range Revenue	47	65	68	72	75	79
Food & Beverage	103	113	119	125	131	138
Sponsorship	0	25	50	50	50	50
Instruction (net)	0	12	12	12	12	12
Other	8	15	16	17	17	18
Total Revenue	<u>\$895</u>	<u>\$1,094</u>	<u>\$1,203</u>	<u>\$1,295</u>	<u>\$1,357</u>	<u>\$1,421</u>
Expenses						
Payroll	\$548	\$548	\$575	\$604	\$634	\$666
Benefits	187	110	115	121	127	133
Supplies	85	90	93	96	98	101
Gas & Fuel	19	20	21	21	22	23
Chemicals	130	110	113	117	120	124
Repairs	41	43	45	46	47	49
Contract Services	38	40	41	43	44	45
Telephone	5	5	5	6	6	6
MarketingAdvertising	1	20	21	21	22	23
Insurance	0	0	0	0	0	0
Utilities	43	46	47	48	50	51
Repairs & Maint.	13	14	14	15	15	16
Equip. Rent	3	3	3	3	3	4
Note Principal	167	167	167	167	167	167
Dues & Subs.	1	1	1	1	1	1
Management Fee	0	96	96	96	96	96
CapEx	3	25	25	25	25	25
Total Expenses	<u>\$1,284</u>	<u>\$1,338</u>	<u>\$1,383</u>	<u>\$1,430</u>	<u>\$1,479</u>	<u>\$1,530</u>
Cash Flow	(\$389)	(\$245)	(\$180)	(\$135)	(\$122)	(\$108)

Exhibit D

Organizational Chart City of Terre Haute Golf Courses

